
Subject: Sustainability Review Final Report

Report to: Regional Council

Report date: Thursday, August 20, 2020

Recommendations

1. That the final KPMG Sustainability Review Report attached as Appendix 1 **BE RECEIVED** for information.

Key Facts

- The purpose of this report is to provide Regional Council with the final KPMG Service Sustainability Review Summary Report attached as Appendix 1.
- Companion report Confidential CSD 53-2020 also reports on the Sustainability Review however the KPMG report in the Appendix 1 to CSD 53-2020 is the full report inclusive of items of a confidential nature.
- On November 7th, 2019, confidential report CSD 73-2019, sought Regional Council approval on the implementation of six cost savings opportunities identified by KPMG from the Service Sustainability Review ("SSR"). Staff was directed to develop an implementation plan for four of the cost savings opportunities.
- The KPMG Review, reflects work undertaken from February 2019 to February 2020 and as such, may not necessarily reflect more recent changes to the Region and its operations.
- The balance of the work effort will be staff research and implementation of opportunities which may require the engagement of external experts if necessary.

Financial Considerations

The budget for the Niagara Region Service Sustainability Review was \$400,000, which included \$285,500 for consulting and \$114,500 for project management. The final contract award for the consulting was \$248,035 plus an additional \$5,000 for incremental work pertaining to the Grants and Incentives program. The total project cost to the Niagara Region, including internal compensation, is \$363,663. In addition to the original budget, NR applied for and received \$50,000 in additional funding through the Provincial Audit and Accountability Fund. This funding allowed for KPMG to

complete an additional business cases from the list of opportunities identified under the SSR; therefore increasing the project value from \$363,663 to \$419,630.

The purpose of the report was to measure the cost of the region's service delivery to that of other municipalities or service providers and to identify any opportunities for savings. The savings identified under the SSR were to be reinvested in the Region's infrastructure funding gap. The report identifies a number of opportunities that KPMG estimates could possibly provide, a range of savings between \$2.4M to \$15.5M annually. The total cost to implement all 22 identified opportunities is estimated at \$3.9M, the majority of this cost, \$2.5M, is associated with opportunities for shared services between the Region and lower tier Municipalities.

Actual savings will depend on the decisions of council with respect to prioritization of opportunities and more detailed analysis and implementation plans to be prepared by staff.

This confidential report includes all of the elements of the scope of the engagement however a Confidential report CSD 53-2020 has also been provided which includes all matters pertaining to confidential matters.

Analysis

As outlined in the RFP, the Region is faced with substantial fiscal challenges as it attempts to implement a long term sustainable asset management plan and support the increasing cost of the delivery of services in an environment where tax increases remain relatively modest. Specific project deliverables of the Review include:

- Establishing a finite list of services provided by the Region and accompanying service profiles developed through the application of the Municipal Reference Model ("MRM");
- Developing performance metrics and benchmarking information for the Region's services;
- Identifying and evaluating alternative service delivery methods and/or changes to services and service levels; and
- Developing a framework for opportunity implementation, including high-level business cases for prioritized opportunities.
- Adaptability to allow for changes based on future decisions of Council, the Province and other stakeholders;

The following timeline outlines the major milestones and deliverables for the SSR:

- February 2019: KPMG commenced project work and developed guiding principles, including Senior-Executive interviews and approval from Steering Team
- March – April 2019: KPMG facilitated 2 workshops to develop and finalize service profiles framework
- June 2019: KPMG
 - Develop performance metrics for service profile comparisons (efficiency and effectiveness indicators) including selection of comparator municipalities for benchmarking analysis
 - Develop opportunities listing and facilitate working session with PM's /Directors and other Region staff
- July – November 2019:
 - Rank opportunities
 - Draft report including opportunities and ranking for approval from Steering Team
 - Identified 22 potential opportunities for cost savings. These opportunities were prioritized using four criteria approved by CLT:
 - Levy Impact, Public Perception and Impact, Personnel, and Internal Considerations (including, alignment to Regional Council priorities, technology hurdles, timing, risk transference, and contingency planning).
 - The top 10 opportunities based on this ranking were further considered by CLT and 5 were chosen for the detailed business cases contemplated in the RFP.
 - During this period the Province announced the Audit and Accountability Fund and the Region submitted an application for more detailed business cases for 4 projects from the KPMG list of opportunities that most closely met the criteria of the fund of which one (Rationalization of the Region's ICOPs division) received funding approval.
 - KPMG Developed 6 business cases for top 5 opportunities along with the additional project approved for Audit and Accountability Funding with a 3-4 year implementation roadmap
 - Presentations to managers, directors, and other stakeholders including Steering Team
- November 2019: KPMG
 - Presentation/Report to Committee of the Whole on 6 business cases seeking approval for execution and implementation planning
- December 2019

- Execute restructure of the Internal Controls and Organizational Performance (“ICOPS”) Division
- January – March 2020:
 - Presentations to managers, directors, and other stakeholders including Steering Team on opportunities, service profiles and benchmarking results
 - Complete Final Report
- September 2020: Final Report presented to Council

Alternatives Reviewed

Options have been considered as part of the business case analysis ranging from status quo to partial or staged implementation. Status quo is not recommended because this will not accomplish the goal of identifying cost savings in order to help reduce the Niagara Region’s infrastructure deficit.

Relationship to Council Strategic Priorities

This projects supports the following Strategic Priorities

- Supporting Businesses and Economic Growth
- Responsible Growth and Infrastructure Planning
- Sustainable and Engaging Government

Other Pertinent Reports

- [CSD 73-2019](#) A matter Respecting Labour Relations or Employee Negotiations: Niagara Region Service Sustainability Review
- PDS 34-2019 Grants and Incentives Review
- CSD 45-2017 2018 Budget Planning

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Appendices

Appendix 1 KPMG Service Sustainability Review Summary Report